

The Imperial Life Assurance Company of Canada

Annual Report for the year 1977



Harold Town's *Tyranny of the Corner*, reproduced on the front cover, is in Imperial Life's collection of contemporary Canadian art. Mr. Town, a Canadian artist of world renown, was born in Toronto and studied at the Ontario College of Art. His works hang in such major galleries as the National Gallery of Canada, the Tate Gallery, London, the Metropolitan Museum of Art, New York and the Art Gallery of Ontario. Mr. Town is an Officer of the Order of Canada.

La version française du rapport annuel
est disponible au siège social.

The Imperial Life Assurance Company of Canada



Annual Report of the Directors

Your Directors have pleasure in submitting their Report for the year ended December 31, 1977.

New Business

The volume of new life insurance and annuity business sold in 1977 amounted to \$1,180,631,000. This included a new record of \$823,312,000 on individual lives and \$357,319,000 from group life insurance and annuities. New business on individual lives (including health insurance) produced yearly premiums of \$11,569,000 and single premiums of \$25,416,000. New group insurance produced premiums of \$7,362,000. In total the new premiums written in 1977 exceeded the amount written in the preceding year by 8.6%.

Business in Force

The volume of business in force increased during the year by \$569,925,000 and the year ended with \$6,340,190,000 of life insurance in force, including \$2,540,421,000 of group life insurance and annuities. Health insurance contracts in force at the end of the year had yearly premiums of \$17,703,000.

Income

Premium income amounted to \$135,361,000 and net interest, dividends and rents to \$49,004,000 after deduction of all investment expenses.

Benefit Payments

Payments to policyholders and beneficiaries during 1977 aggregated \$84,083,000, including death claims amounting to \$18,683,000 and \$9,957,000 in dividends to holders of participating policies.

Assets

The book value of the assets of the Company and its subsidiary companies amounted to \$812,393,000. The net rate of interest earned in 1977 on the life and health assets was 7.99% before taxes on Canadian investment income.

Insurance and Annuity Liabilities

The total of the reserves for insurance and annuity liabilities, including reserves for segregated investment funds is \$638,460,000 which is greater than governmental requirements.

Earnings Per Share

Consolidated earnings per share are based on the net income (including net realized capital gains) of the shareholders' account, of the non-participating life insurance business, of the health insurance business and the appropriate portion of the net income of subsidiary companies. These earnings may fluctuate as they are influenced mainly by the rates of mortality and morbidity and by the level of net realized capital gains. The consolidated earnings per share amounted to \$10.36 compared to \$4.65 in 1976. This improvement is due substantially to the change in the non-participating account which in 1977 produced net income of \$989,000 compared to a loss of \$94,000 in 1976.

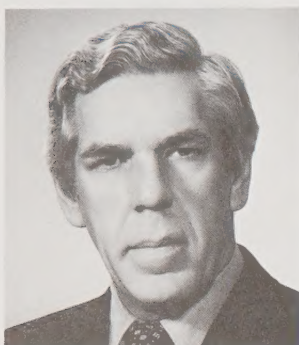
The Directors wish to express their sincere thanks to members of the Company for their substantial contribution to the results achieved in 1977.

On behalf of the Board,

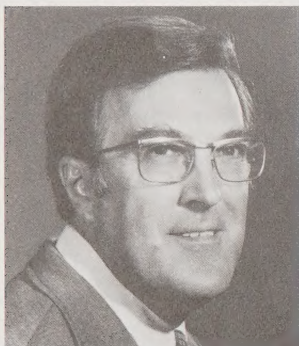
Toronto, Canada
February 8, 1978

CLAUDE CASTONGUAY
Chairman of the Board

Board of Directors



Claude Castonguay, C.C., F.C.I.A.
Quebec, Quebec
Chairman of the Board and
Chairman of the Executive
Committee of the Board
President, The Laurentian Fund Inc.



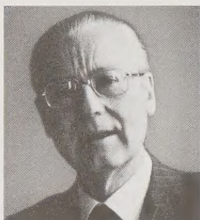
Jean-Marie Poitras, O.C.
Quebec, Quebec
Vice-Chairman of the Board and Vice-
Chairman of the Executive
Committee of the Board
President, The Laurentian Mutual
Assurance Company



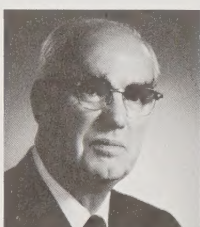
William G. Munro, F.L.M.I.
Toronto, Ontario
President



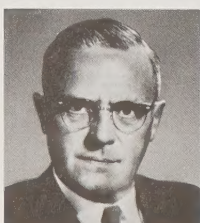
René Amyot, Q.C.
Quebec, Quebec
Vice-President
Partner, Amyot,
Lesage, De Grandpré,
Colas, Bernard and
Drolet



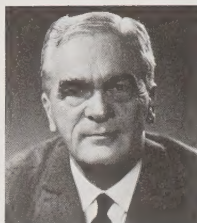
Philippe de Monplanet
Paris, France
Vice-President,
L'Abeille-Paix-Vie



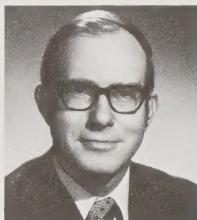
**J. Douglas Gibson,
O.B.E.**
Toronto, Ontario
Chairman of the Board,
The Consumers' Gas
Company



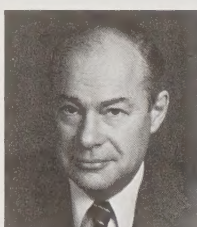
**The Hon. Walter S.
Owen, Q.C.**
Victoria, B.C.
Lieutenant-Governor,
Province of British
Columbia



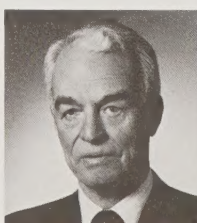
**Wilbrod Bherer,
C.M., Q.C.**
Quebec, Quebec
Partner, Bherer,
Bernier, Loubier, Côté,
Ouellet, Huot, Houle
and Cantin



Jacques Douville
Montreal, Quebec
Executive Vice-
President and Chief
General Manager,
Bank Canadian
National



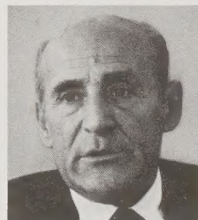
Lawrence G. Greenwood
Toronto, Ontario
Chairman and
President, The
Dominion Realty
Company, Limited



**John G. Porteous,
Q.C.**
Montreal, Quebec
Partner, Ogilvy,
Montgomery, Renault,
Clarke, Kirkpatrick,
Hannon and Howard



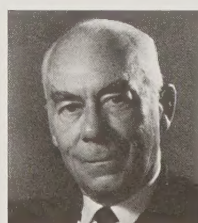
John B. W. Carmichael
Toronto, Ontario
Company Director



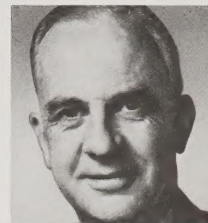
Robert Gachet
Paris, France
President, Compagnie
Financière du Group
Victoire



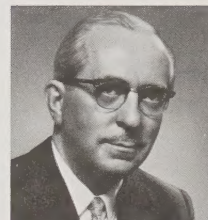
Clifford T. Hackett
Weybridge, Surrey,
England
Company Director



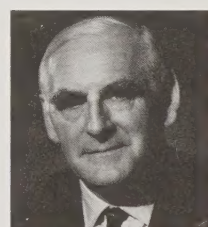
**A. Ross Poyntz,
F.C.I.A.**
Toronto, Ontario
Company Director



Frank E. Case
Brockville, Ontario
Company Director



Maurice Germain
Montreal, Quebec
Company Director



**Sir Henry Johnson,
K.B.E.**
Chalfont St. Giles,
Buckinghamshire,
England
Company Director



Donald J. Wilkins
Toronto, Ontario
Director, Burns Fry
Limited

A Review of 1977 — Our 80th Year

Since the last Annual Meeting of The Imperial Life, held on March 16, 1977, there have been a number of changes in the Board of Directors. At the Board Meeting held immediately after that meeting, Mr. William G. Munro was elected President of the Company. Mr. A. Ross Poyntz was re-elected as Chairman of the Board, Mr. Claude Castonguay was elected Vice-Chairman and Mr. René Amyot, Vice-President. Mr. Paul Desmarais resigned as a Director and Mr. Robert Gachet was appointed to fill the vacancy.

In April, Mr. Kenneth R. Thomson resigned from the Board and in May the Company lost the services of another Director in the death of Mr. Renault St-Laurent. Mr. G. Kingsley Fox, President from 1967 to 1977, resigned from the Board in June.

To fill two of the vacancies, Mr. Philippe de Monplanet was appointed to the Board in July and Mr. Jacques Douville in October.

On September 21, 1977, Mr. Poyntz retired from the position of Chairman of the Board, an office in which he had served with great distinction since 1953. Mr. Claude Castonguay was then elected to that position and Mr. Jean-Marie Poitras was elected Vice-Chairman.

The Board would like to thank those former Directors who served the Company so conscientiously over many years and express particular appreciation to Mr. Fox who as the Company's President for the past 10 years, made a tremendous contribution and under whose direction were laid the foundations for the very favourable results shown in this year's report.

New Business

For the second successive year, the volume of new life insurance and annuity business sold exceeded one billion dollars, a total of \$1,180,600,000. Sales on individual lives amounted to a new record of \$823,300,000 and the volume of new group life insurance and annuities exceeded \$357,300,000. The volume of business in force increased during the year by \$570,000,000 and at the end of the year totalled \$6,340,200,000. Health insurance contracts in force at the end of the year had yearly premiums of \$17,700,000.

Total new premiums from all product lines and all areas of operations amounted to \$44,300,000 in 1977, up 8.6%

over the results for 1976. The premiums from new individual life plans totalled \$11,600,000, up 8% over the previous year.

Flexible premium retirement annuities, a relatively new product, accounted for \$15,300,000 of new business, up 20% over 1976. Most of these annuities are registered for tax deferral and because of the flexibility of the payment arrangements, are proving to be most attractive for individual retirement planning.

Sales of single premium life and annuity plans totalled \$10,100,000—down 5%. The drop was largely because of the Company's decision to withdraw from the income averaging annuity market for most of the year. Sales of other types of annuities were up substantially.

Premiums from new group insurance sales were up by 10% for a new record.

In spite of the restrictions imposed by the Anti-Inflation Board guidelines, group sales in Canada were up 34%. In Great Britain, where the Company is relatively new in the group insurance market, sales were up 35%. Only in the U.S.A. was there a drop in group sales, largely because of regulations affecting particularly the group permanent market.



President William G. Munro, A. Ross Poyntz (President, 1953-1967) and G. Kingsley Fox (President, 1967-1977) study his portrait on the occasion of a retirement dinner for Mr. Fox in May 1977.

The total number of individual policies sold in the year exceeded 43,000—up 2,200 compared with 1976.

While the pace of recruiting was down in all areas, there were gains in numbers in the Canadian and Great Britain sales organizations because of improved retention experience. The total number of career life underwriters in the sales organization decreased by seven in 1977 to 738. The drop is largely attributable to the Company's withdrawal from sales operations in Trinidad where there were 22 full-time representatives. To provide service for the Company's several thousand policyholders in Trinidad and supervision of investments, an office is being retained at Port-of-Spain.

Income and Benefits

The total revenue in the life and health accounts in 1977 was \$167,500,000. In addition, the income from the Company's segregated investment funds amounted to \$38,400,000. Combining these results, the consolidated income for the year was \$205,900,000.

Payments to policyholders and beneficiaries during 1977 amounted to \$84,100,000, an increase of 4% over 1976. Mortality experience was again rather unfavourable and death claims totalled \$18,700,000. Health claims increased slightly to \$11,400,000. Annuity payments rose by 25% to \$6,500,000, reflecting the greatly increased

sales of annuities in recent years. Surrender value payments, at \$32,700,000, were 5% higher than in 1976.

Dividends allocated to policyholders amounted to \$10,000,000, about 1% lower than in 1976.

Investments

Economic recovery continued its slow and erratic pace in most of the major world economies in 1977. Trade imbalances, coupled with the distortions created by increased energy costs, continued to plague many countries and produce less than desirable growth rates and serious levels of unemployment. Britain, where appreciable improvements occurred in the economy and sterling strengthened significantly, was the major exception.

North American investment markets generally reflected renewed concerns over inflation, disappointing economic growth rates, weak currencies and lack of investor confidence. Britain, on the other hand, experienced reduced inflation, with sharply lower interest rates and the strongest of the world's stock markets.

Policy loan demand remained low throughout the year. Although new loans made to policyholders were \$10,400,000, total loan balances increased by less than \$1,500,000. Cash demands from operating expenses were at a relatively low level and the growth in premium income, coupled with a substantially increased investment revenue, produced significantly higher amounts for investment.

Funds available for new discretionary investments totalled \$93,900,000, with \$70,400,000 in general funds of the Company and \$23,500,000 in segregated funds.

Mortgages continued to represent the largest portion of these funds, particularly for supporting products based on new money interest rates. Nearly \$45,500,000 was committed for new mortgage loans, with almost as much being disbursed during the year. Some soft housing markets in Canada shifted the Company's mortgage activity somewhat away from the residential area and only 46% of the year's commitments were in this field. However, lower priced housing continued to be supported and more than 51% of the regular residential lending activity was done through various government-insured housing schemes in Canada and the Bahamas.

Mortgages were again allocated across Canada to match closely the sources of premium income. Despite the lower dollar activity, 749 housing units were financed in 34 different municipalities, including six communities where the Company was lending for the first time. The year also saw higher levels of mortgage repayments, with the result that the net increase of mortgages in general funds was held to \$23,400,000, with mortgages in segregated funds growing by \$5,100,000.

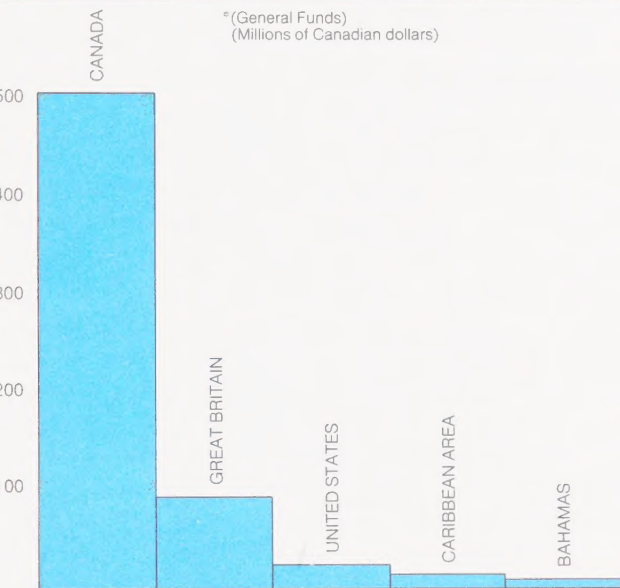


Chairman of the Board Claude Castonguay plants a commemorative tree on occasion of first visit to Imperial Life House, the Company's G.B. Chief Office at Guildford, England, watched by Vice-Chairman Jean-Marie Poitras.

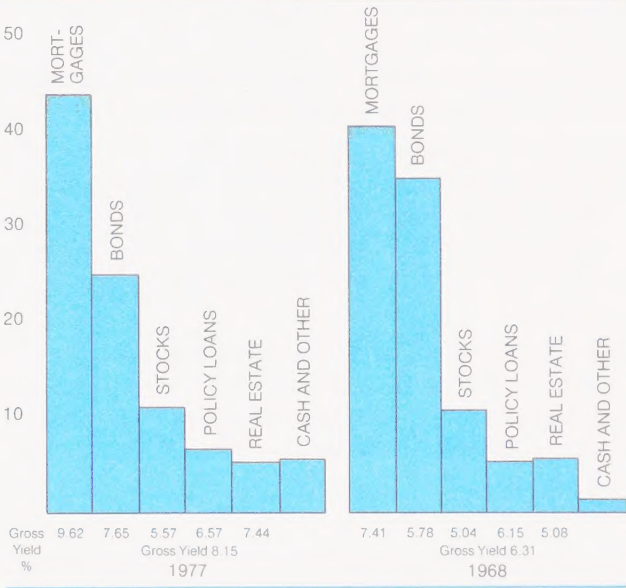
Following the change in its ownership, the Company undertook a major restructuring of its Canadian stock portfolio, including disposal of its large holding of shares in Investors Group Limited. With unattractive market prospects, little new equity investment was made and there was a net overall reduction of \$11,500,000 in general funds' stock holdings. For all funds, stock trading increased to \$101,000,000, with trading in London being particularly active.

With improved bond prospects in Great Britain, more than £4,300,000 was added to our U.K. government bond holdings, while relatively attractive interest rates resulted in a net investment of \$5,200,000 in Canadian bonds. Overall, the Company's bond investments increased by \$30,400,000, including \$24,700,000 in short term securities awaiting redeployment.

Distribution of Assets* by Geographic Area

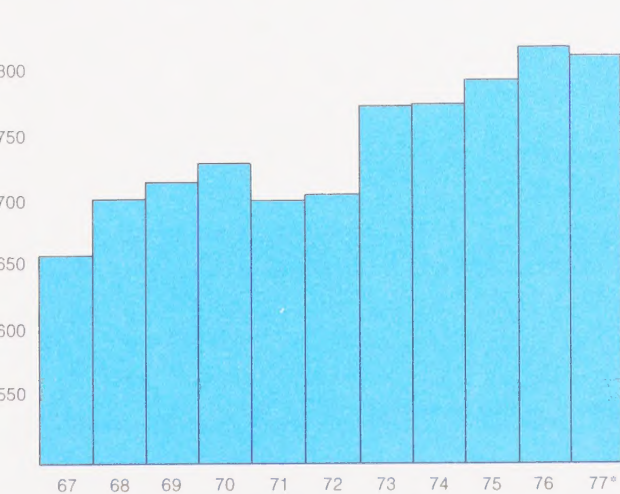


Asset Distribution and Gross Yields (General Funds)



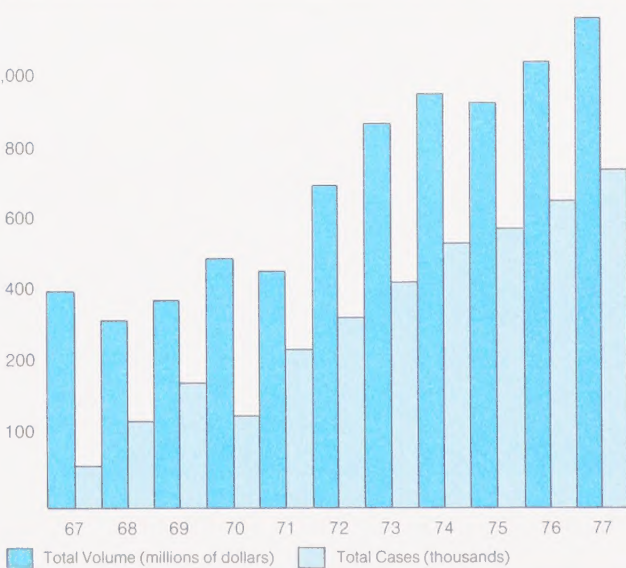
Full-time Sales Organization

Including sales management personnel



*Decrease of 22 when Trinidad sales operations discontinued

Total Volume and Total Cases



Imbrook Properties Limited, a new joint-venture property company, was formed in Canada and has undertaken a controlled but substantial development program on its own along with the management of the Company's existing Canadian property investments.

In Great Britain, our major property affiliate, the Castle-mere group of companies, continued its vigorous and profitable growth, consolidating its recent acquisitions and substantially expanding both its asset value and revenue base. A further £900,000 was invested in the group.

The wholly-owned Impco Properties G.B. Limited and its subsidiaries continued to rationalize portfolios and prepared for redevelopment some of their more significant sites.

The second Essex Street, London, office project was successfully let on a long term basis to an institutional tenant.

Impco Health Screening Limited, a wholly-owned subsidiary of The Imperial Life, provides medical examination and physical fitness services and consultation, primarily in the Toronto area. In 1977, revenue increased by 15%, with some 4,300 examinations being performed for 183 corporate clients.

The growth of Imperial Life's consolidated assets absorbed the write-down of sterling and Trinidadian values and showed a further increase of \$55,500,000 to a total of \$812,400,000. This figure includes \$135,000,000, representing the value of the segregated funds managed by the Company.

The Company's net investment income in its general funds was substantially increased during the year. The net investment yield, after expenses, for the life and health account was 7.99%, an increase of .42 over 1976.

At the end of 1977, despite significant portfolio restructuring, substantial realization of capital gains and generally unfavourable market conditions, the authorized value of our bond and stock investments exceeds their total cost.

For 1978, there will be new challenges as investment policy is adjusted to meet recent changes in Canadian regulatory and taxation policy.

Net Income

The consolidated net income for the year, after taxes, was \$3,207,000. This is a \$2,000,000 improvement over the result in 1976 where net income of \$1,208,000 was reported for the year.

Earnings per Share

The net income in the non-participating account and in the shareholders' account amounted to \$2,072,000, or \$10.36 per share. This is significantly higher than the 1976 earnings of \$4.65 per share and is the result of improved group insurance earnings and investment yield plus effective expense control.

Administration

During the past five years, a concentrated effort has been made to improve the cost effectiveness of our administrative staffs, while continuing to maintain a high standard of service for our clients and field force. There has been a substantial growth in Company operations during this five-year period, as evidenced by a 68% increase in life insurance in force. However, as a result of the measures taken, it has been possible to handle the increased workload with an increase in staff of less than 10%.



Agents participating in a "SHAPE" School—Skills, Habits, Attitude, Planning, Education.

A substantial portion of this improvement is due to economies realized from the computerized system for group life and health policies which was completed in 1976. Expanded use of up-to-date systems and technology has also contributed to improved efficiency. During 1977, our program included the installation of a new computer having considerably increased speed and capacity, the introduction of new data entry equipment, which will eliminate the requirement for punched cards, and increased use of computer display terminals, microfilm and word processing equipment.

More than 40% of our office staffs in North America participated in courses leading to a Fellowship in the Life Management Institute (FLMI). Six more graduated in 1977, bringing the total number of Fellows to 61, an exceptionally high proportion of the total staff.

Other courses involved Home Office underwriters learning more about risk selection, claims examiners studying medical and dental subjects, investment analysts upgrading their knowledge through financial studies, mortgage personnel taking appraisal courses and secretaries upgrading their expertise so that they can act more as administrative assistants.

Over 300 members of the Canadian staff participated in courses conducted by our own management and supervisory personnel with a view to developing more people for supervisory responsibilities.

Among our sales organization, 53 participated in courses leading to the Chartered Life Underwriter designation (CLU). Fourteen more completed this three-year course.

A number of types of indoctrination courses were conducted for newer members of the sales organization, using both our own staffs and outside experts on the instructional cadres. For those sales representatives operating in the more complex fields of tax and estate planning, special seminars were conducted.

It has been said that today the real energy drain is people—people squandering time by not working effectively with their fellow workers and clients.

It was with this in mind that the Company launched, two years ago, a program of research and pilot projects in the training area. Out of these experiments has come the development of a new training system which will have ramifications for our sales organization, our office staffs and management at all levels, and for our clients.

Behind it is a desire to improve the understanding of, and our ability to adapt to the social styles of people with whom we are dealing. One of its purposes is to make a discussion of financial needs a more comfortable and rewarding experience for the client.

The provision of life insurance service can be much more satisfactory if it is appreciated that there are not just financial problems to be solved, there are "people problems" that must be identified. The new training system will help provide the ability to understand and to deal with the perceived needs of clients and of Company associates.

We feel that it will help our staffs respond to customer needs with performances that will give greater customer satisfaction. It will also add a further dimension to our existing training programs.



Trainers in training—a session of the master training plan implementation committee.

THE IMPERIAL LIFE ASSURANCE COMPANY OF CANADA
(Incorporated under the laws of Canada)

Consolidated Balance Sheet as at December 31, 1977

ASSETS

	1977	1976
	(thousands of dollars)	
Bonds and debentures—at amortized cost (Note 2(ii)):		
Government - - - - -	\$98,135	\$77,499
Municipal - - - - -	6,726	6,885
Corporate - - - - -	82,460	72,554
	\$187,321	\$156,938
Preferred and common stocks— at cost (Note 2(ii)) - - - - -	73,285	84,842
Mortgages on real estate—at amortized cost - - - - -	284,220	262,919
Loans to policyholders, fully secured by the cash value of policies of this Company - - -	44,911	44,827
Real Estate (Note 4):		
Properties under development—at cost - - -	766	1,286
Properties held for investment—at cost - - -	50,422	52,948
Home Office and branch office premises—at cost - -	14,645	15,461
	65,833	69,695
Less accumulated depreciation - - - - -	9,382	8,982
	56,451	60,713
Segregated investment funds' assets—at market value (Note 5)- - - - -	134,954	109,972
Cash and certificates of deposit - -	12,781	18,247
Premiums in course of collection -	4,655	6,159
Accrued investment income - - -	7,867	6,899
Other assets - - - - -	5,948	5,380
	<u>\$812,393</u>	<u>\$756,896</u>

On behalf of the Board

C. CASTONGUAY, *Chairman of the Board*

W. G. MUNRO, *President*



LIABILITIES

	1977	1976
	(thousands of dollars)	
Present value of liabilities under assurance and annuity contracts (Note 6) - - - - -	\$503,506	\$478,027
Policy proceeds, dividends and other amounts on deposit -	40,366	38,319
Present value of liabilities under Company retirement funds (Note 7) - - - - -	26,024	25,180
Segregated investment funds' liabilities to policyholders - -	134,954	109,972
Provision for dividends to policyholders - - - - -	9,914	9,915
Policy claims in course of settlement and provision for unreported claims- - - - -	17,460	16,420
Bank loans and notes payable on real estate investments -	7,849	9,113
Mortgages on real estate investments - - - - -	3,559	5,056
Income and premium taxes - - - - -	1,665	1,635
Other liabilities and provisions - - - - -	11,223	9,673
	<u>756,520</u>	<u>703,310</u>

CAPITAL STOCK AND RETAINED EARNINGS

Capital Stock

Authorized—200,000 shares of \$5 par value		
Issued—200,000 shares- - - - -	1,000	1,000
Shareholders' retained earnings - - - - -	3,395	3,057
Asset valuation reserve (Note 2 (ii) and (iv))- - - - -	14,125	14,125
Retained earnings primarily for the protection of policyholders - - - - -	37,353	35,404
	<u>55,873</u>	<u>53,586</u>
	<u>\$812,393</u>	<u>\$756,896</u>

THE IMPERIAL LIFE ASSURANCE COMPANY OF CANADA

Consolidated Statement of Retained Earnings for the year ended December 31, 1977

(thousands of dollars)

	Appropriated	Unappropriated			Shareholders
	Asset Valuation Reserve	Partici- pating	Non-Parti- cipating	Total	
Retained earnings, beginning of year - - -	\$14,125	\$27,189	\$8,215	\$35,404	\$3,057
Net income for the year - - - - - - -		1,135	989	2,124	1,083
Dividends to shareholders - - - - -					(920)
Repayment of health branch capital loan - -			(175)	(175)	175
Retained earnings, end of year - - - - -	<u>\$14,125</u>	<u>\$28,324</u>	<u>\$9,029</u>	<u>\$37,353</u>	<u>\$3,395</u>

Auditors' Report

To the Policyholders and Shareholders of
The Imperial Life Assurance Company of Canada

We have examined the consolidated balance sheet of The Imperial Life Assurance Company of Canada as at December 31, 1977 and the consolidated statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances; the liabilities under assurance, annuity and Company retirement fund contracts were determined and certified by the Company's Valuation Actuary.

In our opinion, based on our examination and the certificate of the Valuation Actuary, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations for the year then ended in accordance with accounting principles prescribed or accepted by the Department of Insurance of Canada applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 8, 1978

THORNE RIDDELL & CO.
Chartered Accountants

THE IMPERIAL LIFE ASSURANCE COMPANY OF CANADA

Consolidated Statement of Income for the year ended December 31, 1977

	1977	1976
	(thousands of dollars)	
INCOME		
Premiums (Note 8) - - - - -	\$135,361	\$132,705
Interest, dividends and rents after deduction of investment expenses (Note 9) - - - - -	49,004	43,949
Net realized capital gains - - - - -	1,446	1,476
Interest and dividends from segregated investment funds - - - - -	9,312	7,772
Net realized and unrealized capital gains on assets of segregated investment funds - - -	11,193	2,647
Currency translation gain (loss) (Note 2 (iii)) - - -	(415)	439
	<u>205,901</u>	<u>188,988</u>
THIS INCOME WAS USED FOR		
Death claims - - - - -	18,683	18,520
Disability and health insurance claims - - - - -	11,410	10,961
Matured endowments - - - - -	4,880	5,056
Annuity benefits - - - - -	6,506	5,179
Surrender value benefits - - - - -	32,647	31,203
Additions to funds held for future payments to policyholders - - - - -	38,217	38,795
Additions to segregated investment funds - - - - -	27,732	17,806
Amounts credited to funds on deposit and Company retirement funds - - - - -	4,560	4,324
Commissions, branch office, agency and operating expenses - - - - -	45,806	44,242
	<u>190,441</u>	<u>176,086</u>
OPERATING INCOME - - - - -	15,460	12,902
Dividends to policyholders - - - - -	9,957	10,069
INCOME BEFORE TAXES - - - - -	5,503	2,833
Income and premium taxes - - - - -	2,296	2,125
INCOME AFTER TAXES - - - - -	3,207	708
Add:		
Recovery of prior years' taxes - - - - -	—	500
NET INCOME (LOSS)		
Non-participating account - - - - -	\$ 989	\$ (94)
Shareholders' account - - - - -	<u>1,083</u>	<u>1,023</u>
*Non-participating and shareholders' account - - - - -	2,072	929
Participating life account - - - - -	<u>1,135</u>	<u>279</u>
	<u>\$ 3,207</u>	<u>\$ 1,208</u>
*Consolidated earnings per share (basis 200,000 shares) - - - - -	<u>\$10.36</u>	<u>\$ 4.65</u>

1. PRINCIPLES OF CONSOLIDATION

The Company follows the policy of consolidating the accounts of its subsidiary companies in the financial statements.

<u>name of subsidiary</u>	<u>percentage of voting equity shares held</u>	<u>location</u>	<u>nature of business</u>
Impco Health Screening Limited	100%	Canada	medical examination service and physical fitness centre
Impco Properties Limited	100%	Canada	property investments
Imbrook Properties Limited	59%	Canada	property investments
Impco Properties G.B. Limited	100%	Great Britain	property investments
The Invicta Investment Company Limited	100%	Great Britain	property investments
East Layne (Maidstone) Limited	100%	Great Britain	property investments

2. ACCOUNTING POLICIES

- (i) The accompanying financial statements have been prepared in accordance with the requirements of the Department of Insurance of Canada for reporting in annual statements filed with the Department. The Department's requirements emphasize liquidity and solvency, and accordingly provide that:
- (a) certain assets, such as office furniture and other non-admitted assets, are expensed in the year acquired;
 - (b) the costs of acquiring new business are expensed in the year incurred;
 - (c) the income tax charge against operations and the related liability are determined using the "taxes payable" method.
- (ii) Bonds are recorded on the books of the Company at amortized cost or cost and stocks are recorded at cost. The asset valuation reserve of \$14,125,000 was established out of retained earnings to provide for market and currency fluctuations in these values. The bonds and stocks are in the aggregate recorded at values less than those authorized by sections 71(3) to (6) of the Canadian and British Insurance Companies Act.

	<u>1977</u>		<u>1976</u>	
	<u>amortized cost/ cost values</u>	<u>authorized values</u>	<u>amortized cost/ cost values</u>	<u>authorized values</u>
bonds - - - - -	\$187,321,000	\$175,334,000	\$156,938,000	\$138,025,000
stocks - - - - -	73,285,000	86,149,000	84,842,000	89,956,000
	<u>\$260,606,000</u>	<u>\$261,483,000</u>	<u>\$241,780,000</u>	<u>\$227,981,000</u>

- (iii) The following book rates were utilized for the translation of foreign currency amounts to Canadian dollars:

	1977	
Great Britain pound - - - - -	\$1.70	\$2.00
Jamaican dollar - - - - -	1.10	1.10
United States dollar - - - - -	1.00	1.00
Bahamian dollar - - - - -	1.00	1.00
Bermudian dollar - - - - -	1.00	1.00
Cuban peso - - - - -	1.00	1.00
British Honduras dollar - - - - -	.45	.50
Trinidad and Tobago dollar - - - - -	.45	.50

The currency translation loss was made up of an unanticipated loss of \$651,000 on the national devaluation of the Jamaican dollar in April 1977 and a gain of \$236,000 upon the change of book translation rates on January 1, 1977.

Effective with 1978 accounting, the book translation rate has been changed for the Great Britain pound to \$2.00, the United States dollar to \$1.05, the Bahamian dollar to \$1.05, the Bermudian dollar to \$1.05 and the Jamaican dollar to \$.85. The Jamaican dollar devaluation was reflected in 1977 accounting, therefore the new book rate will have virtually no effect on 1978 results. The resulting book gain in 1978 on currency translation, as a result of using more appropriate translation rates, is \$565,000. Assets translated into equivalent Canadian dollars at the new rates will be \$22,043,000 more than at the former rate and liabilities will be \$21,478,000 more than at the former rate.

- (iv) The asset valuation reserve is maintained to cover both fluctuations in currency translation rates and the excess of book values of bonds and stocks over authorized values. At the balance sheet date the reserve is \$14,000,000 in excess of Department of Insurance requirements.

3. INTERNAL CONTROL

The Company has an internal audit and branch inspection staff resident in Canada and Great Britain who carry out cyclical examinations of Company operations and control procedures. The Audit Committee of the Board of Directors is composed of outside directors who receive quarterly reports of completed branch inspections and audit assignments. Their terms of reference are such that they may make all necessary enquiries of the staff or external auditors to satisfy themselves that control procedures are adequate in the circumstances. The Audit Committee reviews the consolidated statements and management letter with the external auditors and Executive Officers of the Company and makes its report thereon to the full Board of Directors.

4. REAL ESTATE

Properties held for investment and home and branch office premises are depreciated on a straight-line basis ranging from 1½% to 2½% per annum.

Canadian property investment subsidiaries calculate depreciation on buildings on the sinking fund method using a 5% factor. Depreciation on completed buildings is recorded at a rate sufficient to write these assets off over their anticipated useful life, office buildings 50 years, industrial buildings 40 years.

Depreciation is not recorded on properties under development or in the British property investment companies.

5. SEGREGATED FUNDS

The liability to policyholders equals the net assets in each fund. The Consolidated Statement of Income includes all operating transactions of the segregated funds. The net assets of each fund amount to:

	1977	1976
group contract funds		
Bond - - - - -	\$ 5,628,000	\$ 4,626,000
Equity - - - - -	11,639,000	10,846,000
Mortgage - - - - -	30,848,000	27,068,000
Diversified - - - - -	24,807,000	20,079,000
Segregated employer funds - - - - -	30,612,000	24,637,000
individual contract funds		
Great Britain Equity - - - - -	3,000	—
Great Britain Managed - - - - -	150,000	—
Great Britain Growth - - - - -	17,778,000	13,313,000
Great Britain Pension Growth - - - - -	9,512,000	5,010,000
Impco Growth - - - - -	873,000	1,025,000
Impco Retirement Growth - - - - -	3,104,000	3,368,000
	<u>\$134,954,000</u>	<u>\$109,972,000</u>

6. ACTUARIAL LIABILITIES

Liabilities for life insurance policies for financial reporting purposes are generally established and maintained on either the net level premium basis or the Canadian modified basis. Liabilities for individual health insurance are determined on a two-year preliminary term basis and for group health insurance on the basis of unearned premiums plus an additional reserve.

The actuarial liabilities by life and health amount to:

	1977	1976
life		
participating - - - - -	\$323,093,000	\$319,481,000
non-participating - - - - -	178,235,000	156,762,000
health		
individual - - - - -	1,519,000	1,279,000
group - - - - -	659,000	505,000
	<u>\$503,506,000</u>	<u>\$478,027,000</u>

7. PENSION PLANS

The Company has contributory pension plans covering substantially all of its employees and branch managers and retirement benefit arrangements for its full-time agents. The total liability in all funds is made up as follows:

	1977	1976
general funds		
active employees - - - - -	\$ 12,977,000	\$ 13,394,000
retired employees - - - - -	13,047,000	11,786,000
	<u>26,024,000</u>	<u>25,180,000</u>
segregated funds		
active employees - - - - -	13,680,000	11,246,000
	<u>\$ 39,704,000</u>	<u>\$ 36,426,000</u>

The Imperial Life Staff Pension Fund provided an improved scale of benefits under a supplementary trust deed effective June 1, 1974. The resulting actuarial deficiency determined on January 1, 1975 amounted to \$2,201,000. This amount, together with interest at 7%, is being funded over 14 years. During the year past service pension costs of \$244,000, including interest, have been charged to operations. The deficiency funded to date totals \$314,000.

The Imperial Life Retirement and Death Benefit Fund (G.B.) provided an improved scale of benefits under a trust deed effective April 1, 1975. The resulting actuarial deficiency determined on January 1, 1976 amounted to \$1,560,000. This amount, together with interest at 7%, is being funded over 14 years. During the year past service pension costs of \$173,000, including interest, have been charged to operations. The deficiency funded to date totals \$143,000.

8. PREMIUM INCOME

Premium income was derived from the following lines of business:

	1977	1976
participating individual life - - - - -	\$ 44,497,000	\$ 42,374,000
participating individual annuity - - - - -	10,059,000	10,225,000
non-participating individual life - - - - -	12,524,000	12,270,000
non-participating individual annuity - - - - -	16,176,000	19,904,000
group life - - - - -	13,445,000	13,394,000
group annuity - - - - -	3,911,000	3,323,000
individual health - - - - -	1,845,000	1,794,000
group health - - - - -	14,968,000	13,674,000
segregated funds - - - - -	17,936,000	15,747,000
	<u>\$135,361,000</u>	<u>\$132,705,000</u>

9. INTEREST, DIVIDENDS AND RENTS

The investment expenses deducted from investment income are:

	1977	1976
general investment expenses - - - - -	\$ 3,564,000	\$ 3,501,000
real estate taxes - - - - -	1,289,000	1,104,000
depreciation - - - - -	813,000	816,000
	<u>\$ 5,666,000</u>	<u>\$ 5,421,000</u>

10. SHAREHOLDERS' ACCOUNT

The transfer from the participating life account to shareholders' account is \$788,000 (1976—\$791,000) or 7½% of the distributions from the participating account as limited by section 84 of the Canadian and British Insurance Companies Act.

11. ANTI-INFLATION LEGISLATION

The anti-inflation legislation introduced on October 14, 1975 is still in effect. Under this legislation, the Company is subject to mandatory compliance with controls on revenues, profits, employee compensation and shareholder dividends.

Phased decontrol will begin on April 14, 1978 and will be effective as of the start of the first fiscal period beginning after that date, which for the Company will be January 1, 1979.

Nine-Year Review (dollar amounts in thousands)

	1977	1976	1975	1974	1973	1972	1971	1970	1969
Revenue									
Premiums - - -	\$ 135,361	\$ 132,705	\$ 110,106	\$ 98,389	\$ 91,550	\$ 81,131	\$ 76,277	\$ 62,767	\$ 59,147
Interest, dividends and rents - - -	58,316	51,721	47,786	43,747	38,901	34,508	32,404	30,260	28,290
Total paid or credited to policyholders and beneficiaries excluding dividends - - -	144,635	131,844	115,328	85,430	83,797	85,455	77,249	59,569	55,707
Dividends to policyholders - -	9,957	10,069	10,061	9,556	8,990	8,813	8,414	7,539	7,285
Commissions, branch office, agency and operating expenses - - -	45,806	44,242	38,973	33,632	29,767	24,357	22,929	20,656	19,937
Dividends to shareholders - - -	920	720	720	700	640	560	510	480	480
Total assets - - - -	812,393	756,896	713,595	654,244	621,051	574,184	537,470	501,732	482,820
Life Insurance in force - - - -	6,340,190	6,003,198	5,557,828	4,963,307	4,286,669	3,770,815	3,306,376	3,107,109	2,757,791
Net rate of interest earned - - - -	7.99%	7.57%	7.37%	7.16%	6.93%	6.66%	6.54%	6.38%	6.22%
Earnings per share -	\$10.36	\$4.65	\$7.34	\$4.47	\$6.01	\$5.44	\$11.43	\$2.20	\$7.49
Number of agents - -	738	745	723	702	702	633	626	656	644
Number of employees - - -	1,201	1,254	1,253	1,228	1,155	1,096	1,116	1,142	1,163

Summary of Capital and Retained Earnings at December 31 (thousands of dollars)

	1977	1976	1975	1974	1973	1972	1971	1970	1969
Appropriated									
Participating account - - - - -	\$10,525	\$10,525	\$10,525	\$ 9,057	\$12,057	\$12,067	\$12,722	\$12,372	\$ 8,285
Non-participating account - - - -	3,600	3,600	3,600	3,270	3,269	3,525	3,604	3,477	2,509
Shareholders'									
Capital stock - - - - -	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Retained earnings - - - - -	3,395	3,057	2,754	2,454	2,204	1,951	1,635	1,342	1,109
Unappropriated									
Participating account									
Life retained earnings - - - - -	28,324	27,189	26,910	30,528	32,160	32,983	33,517	33,339	32,770
Non-participating account									
Life retained earnings - - - - -	6,546	6,202	7,046	7,381	7,379	6,533	6,344	5,244	5,299
Health retained earnings - - - -	2,483	2,013	1,263	934	992	1,273	1,254	998	748

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Systems Programming Officer

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Marketing Controller

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Field Office Administrative Officer

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Personnel Officer

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Data Systems Officer

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Assistant Director of Agencies

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Associate Treasurer

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Superintendent of Group Sales

A. MARTIN N. WILSON, C.A.
Associate Comptroller

GEORGE C. WILSON, C.A., F.L.M.I.
Assistant Comptroller

In Great Britain

JOHN A. KEMPTON
Vice-President and General Manager for Great Britain

W. NICHOLAS ANDERTON, F.I.A.
Resident Actuary

ANTHONY F. HOPPER
Executive Officer—Special Projects

ERIC A. PERCIVAL
*Resident Secretary and
 Senior Administrative Officer*

ROGER H. A. WAIN
Resident Treasurer

CECIL W. WARD
Resident Director of Agencies

GEORGE LAWTON
Superintendent of Field Training

GEORGE K. C. RETTIE, M.D.
Medical Officer

RONALD F. AGATE
Assistant Administrative Officer

WILLIAM A. FOOTE
Assistant Administrative Officer

ELIZABETH F. HOGG
Personnel Administrative Officer

ALAN J. JOHNSTON, M.I.O.M. (Dip)
Systems and Planning Officer

WALLACE LAW, F.I.A.
Assistant Resident Actuary

ERIC R. PATON
Assistant Director of Agencies

DAVID G. PETERS, A.C.I.S., A.C.I.I., A.M.B.I.M.
Assistant Resident Secretary

PETER C. N. POOLMAN, F.C.I.I.
Assistant Director of Agencies

MICHAEL C. SPILLMAN
Assistant Director of Agencies

JOHN C. WALTON
Investment Officer

Principal Imperial Life Offices

HEAD OFFICE

Imperial Life Building
95 St. Clair Avenue West, Toronto, Canada M4V 1N7

Branch Offices in Canada (Locations and Managers)

BARRIE, ONT.	- - - - -	R. G. Pepler	PENTICTON, B.C.	- - - - -	D. A. B. Hall, C.L.U.
BRANDON, MAN.	- - - - -	R. W. MacKalski	QUEBEC, QUE.	- - - - -	M. Pineau
CALGARY, ALTA.	- - - - -	R. D. McCorquodale, C.L.U.	REGINA, SASK.	- - - - -	R. U. Kotrla, C.L.U.
CHANDLER, QUE.	- - - - -	P.-E. Levesque	RIMOUSKI, QUE.	- - - - -	L. Couture, C.L.U.
CHARLOTTETOWN, P.E.I.	- - - - -	W. H. Tomilson	ST. CATHARINES, ONT.	- - - - -	R. A. Newton, C.L.U.
EDMONTON, ALTA.	- - - - -	C. B. Schultz, C.L.U.	ST. JOHN'S, NFLD.	- - - - -	R. K. Moores, C.L.U.
HALIFAX, N.S.	- - - - -	W. L. Charlton	SASKATOON, SASK.	- - - - -	W. J. Franz, C.L.U.
HAMILTON, ONT.	- - - - -	W. S. Lillie, C.L.U.	SHERBROOKE, QUE.	- - - - -	G. Fontaine, C.L.U.
KINGSTON, ONT.	- - - - -	E. W. Stewart-Normans	THETFORD MINES, QUE.	- - - - -	J.-G. Cyr
KITCHENER, ONT.	- - - - -	H. W. Lippel	TORONTO, ONT.	- - - - -	J. M. Ferguson, C.L.U.
LONDON, ONT.	- - - - -	J. B. Glover, C.L.U.	TORONTO, ONT.	- - - - -	W. T. McIntosh
MONCTON, N.B.	- - - - -	D. B. MacKay, C.L.U.	TORONTO, ONT.	- - - - -	F. E. Murphy, C.L.U.
MONTREAL, QUE.	- - - - -	G. W. Johnson, C.L.U.	TORONTO, ONT.	- - - - -	F. D. Palmer, C.L.U.
MONTREAL, QUE.	- - - - -	I. Macaulay, C.L.U.	TORONTO, ONT.	- - - - -	G. A. Wilson, C.L.U.
MONTREAL, QUE.	- - - - -	H. Noel	TROIS-RIVIERES, QUE.	- - - - -	D. L. Comtois, C.L.U.
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NORTH BAY, ONT.	- - - - -	V. A. Shelp, C.L.U.	VICTORIA, B.C.	- - - - -	R. H. Knowlton, C.L.U.
OSHAWA, ONT.	- - - - -	H. W. Killam, C.L.U.	WINNIPEG, MAN.	- - - - -	W. H. Kamineski, C.L.U.
OTTAWA, ONT.	- - - - -	G. J. G. Arnold			

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TORONTO, ONT.	- - - - -	D. R. Eadie, C.L.U.			

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SAN JOSE, CALIF.	- - - - -	C. C. Kuhnke
SOUTHFIELD, MICH.	- - - - -	J. D. Kelly
WALNUT CREEK, CALIF.	- - - - -	R. P. Peirce
EAST LANSING, MICH.	- - - - -	
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NASSAU, BAHAMAS	- - - - -	G. A. Sweeting, C.L.U.

Regional Offices

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SOUTHERN REGION (NASSAU)	- -	D. Holland

Imperial Life Offices in Great Britain

CHIEF OFFICE: Imperial Life House
London Road
Guildford, Surrey GU1 1TA

Branch Offices (Locations and Managers)

ABINGDON	- - - - -	J. E. Barlow
BIRMINGHAM	- - - - -	R. E. Bennett
BRISTOL	- - - - -	M. C. Nason
BROMLEY	- - - - -	C. W. M. Frampton
CARDIFF	- - - - -	B. J. Cross
CROYDON	- - - - -	C. C. Myers
ELY	- - - - -	D. F. Morley
GLASGOW	- - - - -	C. D. H. MacLean
HOVE	- - - - -	R. A. Walters
KINGSTON-ON-THAMES	- - - - -	R. A. Knox-Johnston
LEEDS	- - - - -	P. A. Dodds
LEICESTER	- - - - -	M. M. Leask
LIVERPOOL	- - - - -	D. G. Kearon
LONDON	- - - - -	P. N. Crookenden
LONDON	- - - - -	A. H. Evans
LONDON	- - - - -	R. W. J. Exall
LONDON	- - - - -	G. G. Howlett
LONDON	- - - - -	J. A. Jacobs
LONDON	- - - - -	G. H. King
LONDON	- - - - -	B. A. Lane
LONDON	- - - - -	D. S. Lee
LONDON	- - - - -	B. Roden
LONDON	- - - - -	D. Schiff
MAIDSTONE	- - - - -	G. F. Garfield
MANCHESTER	- - - - -	G. Ratcliffe
NOTTINGHAM	- - - - -	O. S. Tame
PLYMOUTH	- - - - -	I. D. Hopkins
SOUTHAMPTON	- - - - -	J. F. Wilson
WEMBLEY	- - - - -	C. Burman

Group Insurance Office

LONDON	- - - - -	P. J. West
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The Annual Meeting of the Company is held at 2.30 p.m. on the third Wednesday in March. Each person who has contracted for and holds a participating policy may attend and vote in person or by proxy at meetings of the Company. Proxy forms may be obtained on written request to the Secretary.

